

CITY OF LOGAN

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2011

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CITY OF LOGAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Randy Fetter	Mayor	December 2011
Chris Hartwig	Mayor Pro-Tem	December 2011
Dee Clark	Council Member	December 2011
Dennis Crum	Council Member	December 2011
Stewart Johnson	Council Member	December 2013
Scott Moss	Council Member	December 2011
Nedra Fliehe	City Administrator	Retired March 31, 2011
Angela Winther	City Administrator	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 24, 2011

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Logan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

August 24, 2011
Page Two

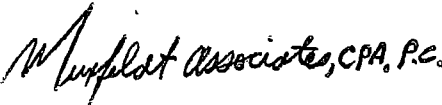
To the Honorable Mayor and
Members of the City Council:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan at June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my reports dated August 24, 2011 on my consideration of the City of Logan's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11, and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Logan's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Murphy & Associates, CPA, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Logan provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 114%, or approximately \$216,000, from fiscal year 2010 to fiscal year 2011. Intergovernmental receipts increased 131%, or approximately \$237,000, and miscellaneous receipts increased 86%, or approximately \$87,000.

Disbursements of the City's governmental activities decreased 24%, or approximately \$400,000, in fiscal year 2011 from fiscal year 2010. Public safety and public works disbursements increased approximately \$34,000 and \$12,000, respectively. Capital projects and culture and recreation disbursements decreased approximately \$346,000 and \$118,000, respectively.

The City's total cash basis net assets increased 156%, or approximately \$339,000 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$216,000 and the assets of the business type activities increased approximately \$123,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kind of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax Fund, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) The Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNEMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$189,000 to approximately \$405,000.

Changes in Cash Basis Net Assets of Governmental Activities			
		Year ended June 30,	
		2011	2010
Receipts:			
Program receipts:			
Charges for services	\$	186,420	\$ 196,564
Operating grants, contributions and restricted interest		239,276	176,802
Capital grants, contributions and restricted interest		254,160	106,204
General receipts:			
Property tax		567,424	559,904
Local option sales tax		85,679	81,619
Unrestricted investment earnings		194	245
Miscellaneous		108,691	-0-
Note proceeds		50,000	403,230
Total receipts		<u>1,491,844</u>	<u>1,524,568</u>
Disbursements:			
Public safety		247,421	213,796
Public works		245,292	233,078
Health and social services		4,490	4,400
Culture and recreation		229,792	347,786
Community and economic development		172	1,382
General government		111,888	109,258
Debt service		261,842	244,918
Capital projects		170,548	516,680
Total disbursements		<u>1,271,445</u>	<u>1,671,298</u>
Change in cash basis net assets before transfers		220,399	(146,730)
Transfer, net		<u>(4,415)</u>	<u>-0-</u>
Change in cash basis net assets		215,984	(146,730)
Cash basis net assets, beginning of year		<u>188,870</u>	<u>335,600</u>
Cash basis net assets, end of year	\$	<u>404,854</u>	\$ <u>188,870</u>

The City's total receipts for governmental activities decreased 2%, or approximately \$33,000. The total cost of all programs and services decreased approximately \$400,000, or 24%, with no new programs added this year.

The cost of all governmental activities this year was approximately \$1.27 million compared to approximately \$1.67 million last year. However, as shown in the Statement of Activities and Net Assets on pages 13 - 14, the amount taxpayers ultimately financed for these activities was only \$591,589 because some of the cost was paid by those directly benefited from the programs (\$186,420) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$493,436). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$480,000 to approximately \$680,000, principally due to receiving grant proceeds to complete the CDBG lagoon project.

Changes in Cash Basis Net Assets of Business Type Activities			
		Year ended June 30,	
		2011	2010
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$	295,545	\$ 308,359
Sewer		248,120	252,057
Operating grants, contribution, and restricted interest		791	-0-
General receipts:			
Unrestricted interest		637	1,468
Meter deposits		6,400	3,780
Note proceeds		-0-	50,000
Total receipts		<u>551,493</u>	<u>615,664</u>
Disbursements:			
Water		178,647	289,249
Sewer		63,035	91,058
Debt service		186,142	173,798
Meter deposit refunds		4,970	3,280
Total disbursements		<u>432,794</u>	<u>557,385</u>
Change in cash basis net assets before transfers		118,699	58,279
Transfers, net		<u>4,415</u>	<u>-0-</u>
Change in cash basis net assets		123,114	58,279
Cash basis net assets, beginning of year		<u>29,111</u>	<u>(29,168)</u>
Cash basis net assets, end of year	\$	<u>152,225</u>	\$ <u>29,111</u>

Total business type activities receipts for the fiscal year were approximately \$551,000 compared to approximately \$615,000 last year. This significant decrease was due primarily to the \$50,000 water revenue note received last year. The cash balance increased approximately \$123,000 from the prior year because water disbursements decreased significantly. Total disbursements for the fiscal year decreased 24% to approximately \$433,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Logan completed the year, its governmental funds reported a combined fund balance of \$404,854, an increase of \$215,984 above last year's total of \$188,870. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$103,464 from the prior year to \$192,823. All of the increase was due to insurance proceeds received at year end for damage caused by a recent hail storm. Contracts to reroof various City buildings had not been awarded by June 30, 2011.

The Special Revenue, Local Option Tax Fund cash balance increased \$30,039 to \$112,828. This is primarily due to postponing disbursements for street repairs to 2012.

The Debt Service Fund cash balance decreased \$3,128 to a deficit of \$19,944. The deficit will be eliminated by transfers to the Debt Service Fund.

The Capital Projects, CDBG Lagoon Fund deficit cash balance of \$79,197 was eliminated by receipts of CDBG grant funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALAYSIS

The Enterprise, Water Fund cash balance increased \$24,761 to \$172,790, due primarily to a decrease in water disbursements.

The Enterprise, Sewer Fund deficit cash balance decreased \$98,353 to a deficit of \$20,565, due primarily to a rate increase that became effective July 1, 2009. It is anticipated that the deficit will be eliminated in 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on July 12, 2010 and resulted in an increase in operating disbursements related to weather delays associated with the CDBG Lagoon project. The second amendment was approved on May 11, 2011 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$58,820 more than budgeted. This was primarily due to the City receiving insurance proceeds at fiscal year end.

The City's disbursements were \$356,765 less than budgeted. This was primarily due to the cost of repairs to City buildings, budgeted in 2011 but not completed until 2012, and street repairs postponed until fiscal year 2012.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$2,715,506 in bonds and other long-term debt compared to \$2,987,386 last year, as shown below:

Outstanding Debt at Year-End			
		2011	2010
General obligation bonds	\$	1,847,506	\$ 1,977,386
Revenue notes		868,000	1,010,000
Total	\$	2,715,506	\$ 2,987,386

The City issued a vehicle acquisition note of \$50,000 in July 2010. The Iowa Finance Authority reduced the interest rate on the Sewer Notes from 4.3% to 3.0%, an interest savings of over \$55,000 over the life of the Sewer Notes. The City retired \$321,880 of principal and paid \$124,812 of interest for the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,847,506 is significantly below its constitutional debt limit of approximately \$3 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Logan elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$1.8 million, a decrease of 6% from the final fiscal year 2011 budget. Budgeted disbursements are expected to rise approximately \$223,000, an increase of 11%. The increase is due primarily to a CDBG Housing Program Fund grant award of \$383,000, over two years, for the rehabilitation of up to ten low to moderate single family housing units.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$88,420 by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator, Angela Winther, at 108 West 4th Street, Logan, Iowa 51546.

BASIC FINANCIAL STATEMENTS

CITY OF LOGAN

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED 30, 2011

			<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions / Programs:				
Governmental activities:				
Public safety	\$ 247,421	\$ 17,020	\$ 4,347	\$ -0-
Public works	245,292	40,759	149,719	-0-
Health and social services	4,490	-0-	-0-	-0-
Cultures and recreation	229,792	62,370	84,960	-0-
Community and economic development	172	172	250	-0-
General government	111,888	66,099	-0-	-0-
Debt service	261,842	-0-	-0-	-0-
Capital projects	170,548	-0-	-0-	254,160
Total governmental activities	<u>1,271,445</u>	<u>186,420</u>	<u>239,276</u>	<u>254,160</u>
Business type activities:				
Water	278,612	301,945	791	-0-
Sewer	154,182	248,120	-0-	-0-
Total business type activities	<u>432,794</u>	<u>550,065</u>	<u>791</u>	<u>-0-</u>
Total	\$ <u>1,704,239</u>	\$ <u>736,485</u>	\$ <u>240,067</u>	\$ <u>254,160</u>
General receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Note proceeds				
Transfers				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash basis net assets				
Restricted:				
Nonexpendable:				
Permanent Library				
Expendable:				
Streets				
Debt service				
Library				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets					
Governmental Activities		Business Type Activities		Total	
\$	(226,054)	\$	-0-	\$	(226,054)
	(54,814)		-0-		(54,814)
	(4,490)		-0-		(4,490)
	(82,462)		-0-		(82,462)
	250		-0-		250
	(45,789)		-0-		(45,789)
	(261,842)		-0-		(261,842)
	83,612		-0-		83,612
	(591,589)		-0-		(591,589)
	-0-		24,124		24,124
	-0-		93,938		93,938
	-0-		118,062		118,062
	(591,589)		118,062		(473,527)
	394,882		-0-		394,882
	172,542		-0-		172,542
	85,679		-0-		85,679
	194		637		831
	108,691		-0-		108,691
	50,000		-0-		50,000
	(4,415)		4,415		-0-
	807,573		5,052		812,625
	215,984		123,114		339,098
	188,870		29,111		217,981
\$	404,854	\$	152,225	\$	557,079
\$	55,648	\$	-0-	\$	55,648
	23,268		-0-		23,268
	-0-		50,079		50,079
	33,411		-0-		33,411
	153,059		13,929		166,988
	139,468		88,217		227,685
\$	404,854	\$	152,225	\$	557,079

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	General	Local Option Tax	Debt Service
Receipts:			
Property tax	\$ 317,941	\$ -0-	\$ 172,525
Other city tax	31	85,679	17
Licenses and permits	6,677	-0-	-0-
Use of money and property	12,369	22	-0-
Intergovernmental	14,759	-0-	-0-
Charges for services	143,822	-0-	-0-
Special assessments	2,451	-0-	-0-
Miscellaneous	204,120	-0-	-0-
Total receipts	<u>702,170</u>	<u>85,701</u>	<u>172,542</u>
Disbursements:			
Operating:			
Public safety	193,012	15,000	-0-
Public works	103,382	-0-	-0-
Health and social services	-0-	4,490	-0-
Culture and recreation	219,016	-0-	-0-
Community and economic development	172	-0-	-0-
General government	93,098	-0-	-0-
Debt service	-0-	-0-	261,842
Capital projects	-0-	-0-	-0-
Total disbursements	<u>608,680</u>	<u>19,490</u>	<u>261,842</u>
Excess (deficiency) of receipts over (under) disbursements	93,490	66,211	(89,300)
Other financing sources (uses):			
Note proceeds	50,000	-0-	-0-
Operating transfers in	9,986	-0-	86,172
Operating transfers out	(50,012)	(36,172)	-0-
Total other financing sources (uses)	<u>9,974</u>	<u>(36,172)</u>	<u>86,172</u>
Net change in cash balances	103,464	30,039	(3,128)
Cash balances, beginning of year	<u>89,359</u>	<u>82,789</u>	<u>(16,816)</u>
Cash balances, end of year	\$ <u>192,823</u>	\$ <u>112,828</u>	\$ <u>(19,944)</u>
Cash Basis Fund Balances			
Nonspendable - library	\$ -0-	\$ -0-	\$ -0-
Restricted for:			
Streets	-0-	-0-	-0-
Other purposes	-0-	112,828	-0-
Assigned for library	33,411	-0-	-0-
Unassigned	159,412	-0-	(19,944)
Total fund balance	\$ <u>192,823</u>	\$ <u>112,828</u>	\$ <u>(19,944)</u>

See notes to financial statements.

EXHIBIT B

Capital Projects CDBG Lagoon	Other Non-major Governmental Funds	Total
\$ -0-	\$ 76,902	\$ 567,368
-0-	8	85,735
-0-	-0-	6,677
-0-	641	13,032
254,160	149,720	418,639
-0-	-0-	143,822
-0-	-0-	2,451
-0-	-0-	204,120
<u>254,160</u>	<u>227,271</u>	<u>1,441,844</u>
-0-	39,409	247,421
-0-	141,910	245,292
-0-	-0-	4,490
-0-	10,776	229,792
-0-	-0-	172
-0-	18,790	111,888
-0-	-0-	261,842
170,548	-0-	170,548
<u>170,548</u>	<u>210,885</u>	<u>1,271,445</u>
83,612	16,386	170,399
-0-	-0-	50,000
-0-	12	96,170
(4,415)	(9,986)	(100,585)
<u>(4,415)</u>	<u>(9,974)</u>	<u>45,585</u>
79,197	6,412	215,984
<u>(79,197)</u>	<u>112,735</u>	<u>188,870</u>
\$ <u>-0-</u>	\$ <u>119,147</u>	\$ <u>404,854</u>
\$ -0-	\$ 55,648	\$ 55,648
-0-	23,268	23,268
-0-	40,231	153,059
-0-	-0-	33,411
-0-	-0-	139,468
\$ <u>-0-</u>	\$ <u>119,147</u>	\$ <u>404,854</u>

CITY OF LOGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 637	\$ -0-	\$ 637
Charges for services	295,545	248,120	543,665
Total operating receipts	296,182	248,120	544,302
Operating disbursements:			
Business type activities	178,647	63,035	241,682
Total operating disbursements	178,647	63,035	241,682
Excess of operating receipts over operating disbursements	117,535	185,085	302,620
Non-operating receipts (disbursements):			
Interest on investments	791	-0-	791
Meter deposits	6,400	-0-	6,400
Meter deposit refunds	(4,970)	-0-	(4,970)
Debt service	(94,995)	(91,147)	(186,142)
Total non-operating receipts (disbursements)	(92,774)	(91,147)	(183,921)
Excess of receipts over disbursements	24,761	93,938	118,699
Operating transfers in	-0-	4,415	4,415
Net change in cash balances	24,761	98,353	123,114
Cash balances, beginning of year	148,029	(118,918)	29,111
Cash balances, end of year	\$ 172,790	\$ (20,565)	\$ 152,225
Cash Basis Fund Balances			
Restricted for meter deposits	\$ 13,929	\$ -0-	\$ 13,929
Restricted for sinking funds	50,079	-0-	50,079
Unrestricted	108,782	(20,565)	88,217
Total fund balance	\$ 172,790	\$ (20,565)	\$ 152,225

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The City of Logan is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Logan has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials or appointees are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission and Harrison County Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) **Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported the following categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounts Policies (Continued)

B. Basis of Presentation (Continued)

Special Revenue:

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for the City's construction of the CDBG Lagoon project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements did not exceed amounts budgeted for the year ended June 30, 2011.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

(2) Cash and Pooled Investments

The City's deposits at June 30, 2011, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$557,079 as of June 30, 2011.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(3) Long Term Debt

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 184,406	\$ 74,914	\$ 150,000	\$ 27,985	\$ 334,406	\$ 102,899
2013	93,760	67,617	87,000	22,540	180,760	90,157
2014	98,252	63,698	90,000	19,430	188,252	83,128
2015	102,888	59,587	68,000	16,230	170,888	75,817
2016	107,674	55,278	71,000	14,190	178,674	69,468
2017	99,617	50,765	74,000	12,060	173,617	62,825
2018	103,723	46,659	77,000	9,840	180,723	56,499
2019	107,998	42,384	80,000	7,530	187,998	49,914
2020	112,449	37,933	84,000	5,130	196,449	43,063
2021	117,084	33,298	87,000	2,610	204,084	35,908
2022	121,909	28,472	-0-	-0-	121,909	28,472
2023	126,936	23,446	-0-	-0-	126,936	23,446
2024	130,790	18,213	-0-	-0-	130,790	18,213
2025	101,049	13,161	-0-	-0-	101,049	13,161
2026	105,314	8,896	-0-	-0-	105,314	8,896
2027	109,760	4,450	-0-	-0-	109,760	4,450
2028	23,897	498	-0-	-0-	23,897	498
Total	\$ 1,847,506	\$ 629,269	\$ 868,000	\$ 137,545	\$ 2,715,506	\$ 766,814

General Obligation Debt Resolutions

The resolutions providing for the issuance of the general obligation debt include the following:

- (a) The levy of taxes sufficient to provide payment of principal and interest when due.
- (b) Proceeds of the tax levy are to be collected in the debt service fund of the City.

The City is in compliance with the above provision.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

(3) Long Term Debt (Continued)

Revenue Debt Resolutions

On October 15, 2006, the City issued Water Revenue Refunding Bonds, Series 2006 that refinanced the City's Water Revenue Notes, Series 1995, dated May 1, 1995, and Water Revenue Refunding Notes, Series 1997, dated April 1, 1997.

The resolutions providing for the issuance of the water revenue refunding bonds include the following:

(a) The debt will only be redeemed from the future net revenues of the municipal waterworks system of the City.

(b) The City shall impose, adjust and provide for the collection of rates to be charged to customers to produce revenues sufficient to pay for operation of the utility and leave a balance sufficient to pay the principal and interest on the revenue debts as they become due.

(c) A "Water Revenue Sinking Fund" shall be created to set aside from the future net revenues of the utility such portion sufficient to pay principal and interest on the bonds as they become due. The minimum amount to be set aside each month shall be equal to 1/12 of the principal due May 1 of the next year and 1/6 of the interest due the next succeeding interest payment.

The City is in compliance with the above provisions.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were respectively \$28,447, \$25,933, and \$23,400, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 6 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirement of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$468 for single coverage and \$-0- for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$36,217 and plan members eligible for benefits contributed \$7 to the plan.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment at termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid one-half the accumulated sick leave. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2011
Vacation/Personal Day	\$ 12,592
Compensatory time	217
Total	\$ <u>12,809</u>

This liability has been computed based on rates of pay in effect as of June 30, 2011.

(7) Lease Agreements

In April, 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of establishing water wells on the said property for the annual sum of \$2,000 and continuing each year thereafter as long as the well site is being used by the City.

Rental expense for the year ended June 30, 2011 was \$2,000.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue - Emergency	\$ 9,345
General	Permanent Fund	641
Debt Service	General	50,000
Debt Service	Special Revenue - Local Option	36,172
Enterprise - Sewer	Capital Projects - Sewer CDBG	4,415
Special Revenue - I Jobs	General	12
Total		\$ <u>100,585</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(9) Related Party Transactions

Business transactions between the City and City officials totaled \$4,603 during the year ended June 30, 2011.

(10) Risk Management

The City of Logan is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Balances

At June 30, 2011, the following funds had deficit balances as follows:

Fund		Deficit
Debt Service	\$	19,944
Enterprise - Sewer		20,565
Total	\$	<u>40,509</u>

The deficit in the debt service fund will be eliminated by a funds transfer. The deficit in the sewer fund will be eliminated by the collection of user fees.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(12) Grants

Iowa Governor's Traffic Safety Bureau

On November 1, 2009, the City was awarded a \$4,500 STEP grant from the Iowa Governor's Traffic Safety Bureau. For the years ended June 30, 2010 and 2011, the City received grant funds of \$1,243 and \$3,257, respectively. On October 29, 2010, the City was again awarded a \$4,500 STEP grant from the same agency. For the year ended June 30, 2011, the City received \$1,090 in grant funds. The grant expires September 30, 2011.

Community Development Block Grant

On June 9, 2009, the City was awarded a \$245,000 CDBG grant from the Iowa Department of Economic Development for a retention pond and ditch at the City's lagoons. Groundwater problems at the lagoons were the result of the 2008 flood. As of June 30, 2010 and 2011, the City had received grant funds of \$10,840 and \$234,160, respectively.

Community Development Block Grant

On June 28, 2011, the City was awarded a \$383,000 CDBG housing fund program grant from the Iowa Department of Economic Development for the rehabilitation of 10 owner-occupied single family housing units. No funds were received as of June 30, 2011.

(13) Statistical Information

	For the year ended June 30, 2011	
Gallons of water billed	37,925,900	90%
Gallons of water used by the City	3,838,270	9%
Gallons of water unaccounted for	142,830	1%
Gallons of water pumped	<u>41,907,000</u>	<u>100%</u>

(14) Subsequent Event

On August 8, 2011, the City awarded contracts of \$96,264 to Collins Construction, LLC and \$2,700 to Triple C Roofing for repairs to hail damaged City buildings.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOGAN

**BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 567,368	\$ -0-
Other city tax	85,735	-0-
Licenses and permits	6,677	-0-
Use of money and permits	13,032	1,428
Intergovernmental	418,639	-0-
Charges for services	143,822	550,065
Special assessments	2,451	-0-
Miscellaneous	204,120	-0-
Total receipts	<u>1,441,844</u>	<u>551,493</u>
Disbursements:		
Public safety	247,421	-0-
Public works	245,292	-0-
Health and social services	4,490	-0-
Culture and recreation	229,792	-0-
Community and economic development	172	-0-
General government	111,888	-0-
Debt service	261,842	-0-
Capital projects	170,548	-0-
Business type	-0-	432,794
Total disbursements	<u>1,271,445</u>	<u>432,794</u>
Excess (deficiency) of receipts over (under) disbursements	170,399	118,699
Other financing sources, net	<u>45,585</u>	<u>4,415</u>
Excess (deficiency) of receipts and other financing sources	215,984	123,114
Balance beginning of year	<u>188,870</u>	<u>29,111</u>
Balance end of year	\$ <u>404,854</u>	\$ <u>152,225</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 567,368	\$ 551,591	\$ 551,591	\$ 15,777
85,735	149,986	139,986	(54,251)
6,677	8,025	8,025	(1,348)
14,460	15,175	15,175	(715)
418,639	286,552	483,314	(64,675)
693,887	671,350	636,750	57,137
2,451	1,600	1,600	851
204,120	101,700	98,076	106,044
<u>1,993,337</u>	<u>1,785,979</u>	<u>1,934,517</u>	<u>58,820</u>
247,421	251,277	251,277	3,856
245,292	241,070	336,070	90,778
4,490	4,500	4,500	10
229,792	306,325	271,175	41,383
172	141,000	6,000	5,828
111,888	132,245	262,245	150,357
261,842	252,812	261,849	7
170,548	-0-	171,000	452
432,794	499,513	496,888	64,094
<u>1,704,239</u>	<u>1,828,742</u>	<u>2,061,004</u>	<u>356,765</u>
289,098	(42,763)	(126,487)	415,585
50,000	-0-	58,649	(8,649)
339,098	(42,763)	(67,838)	406,936
<u>217,981</u>	<u>217,981</u>	<u>217,981</u>	<u>-0-</u>
\$ <u>557,079</u>	\$ <u>175,218</u>	\$ <u>150,143</u>	\$ <u>406,936</u>

CITY OF LOGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended in July 2010 and May 2011, increasing budgeted disbursements by \$232,262. The budget amendments are reflected in the final budgeted amounts.

Disbursements did not exceed the amounts budgeted during the year ended June 30, 2011.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue			
	Emergency	Road Use	I-Jobs	Employee Benefits
Receipts:				
Property tax	\$ 9,354	\$ -0-	\$ -0-	\$ 67,548
Other city tax	1	-0-	-0-	7
Use of money and property	-0-	-0-	-0-	-0-
Intergovernmental	-0-	140,313	8,211	-0-
Total receipts	9,355	140,313	8,211	67,555
Disbursements:				
Operations:				
Public safety	-0-	-0-	-0-	39,409
Public works	-0-	123,021	-0-	18,889
Culture and recreation	-0-	-0-	-0-	10,776
General government	-0-	-0-	-0-	17,954
Total disbursements	-0-	123,021	-0-	87,028
Excess (deficiency) of receipts over (under) disbursements	9,355	17,292	8,211	(19,473)
Other financing sources (uses):				
Operating transfers in	-0-	-0-	12	-0-
Operating transfers out	(9,345)	-0-	-0-	-0-
Net financing sources (uses)	(9,345)	-0-	12	-0-
Net change in cash balances	10	17,292	8,223	(19,473)
Cash balances, beginning of year	-0-	5,976	(8,223)	38,673
Cash balances, end of year	\$ 10	\$ 23,268	\$ -0-	\$ 19,200
Cash Basis Fund Balances				
Unreserved:				
Special revenue	\$ 10	\$ 23,268	\$ -0-	\$ 19,200
Capital projects	-0-	-0-	-0-	-0-
Total fund balance	\$ 10	\$ 23,268	\$ -0-	\$ 19,200

See Accompanying Independent Auditor's Report

SCHEDULE 1

Special Revenue		Capital Projects		
FEMA	Self	Aquatic		
Assistance	Insurance	Center	Permanent	Total
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 76,902
-0-	-0-	-0-	-0-	8
-0-	-0-	-0-	641	641
1,196	-0-	-0-	-0-	149,720
1,196	-0-	-0-	641	227,271
-0-	-0-	-0-	-0-	39,409
-0-	-0-	-0-	-0-	141,910
-0-	-0-	-0-	-0-	10,776
-0-	836	-0-	-0-	18,790
-0-	836	-0-	-0-	210,885
1,196	(836)	-0-	641	16,386
-0-	-0-	-0-	-0-	12
-0-	-0-	-0-	(641)	(9,986)
-0-	-0-	-0-	(641)	(9,974)
1,196	(836)	-0-	-0-	6,412
5,668	10,500	4,493	55,648	112,735
\$ 6,864	\$ 9,664	\$ 4,493	\$ 55,648	\$ 119,147
\$ 6,864	\$ 9,664	\$ 4,493	\$ -0-	\$ 63,499
-0-	-0-	-0-	55,648	55,648
\$ 6,864	\$ 9,664	\$ 4,493	\$ 55,648	\$ 119,147

CITY OF LOGAN
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation debt:			
GO Refunding Bonds	September 15, 2005	3.25-3.75%	\$ 540,000
GO Aquatic Center Note	September 15, 2008	4.178%	\$ 1,500,000
General Fund Aquatic Center Note	February 19, 2009	3.815%	\$ 400,000
Truck Note	July 7, 2011	4.75%	\$ 50,000
Revenue debt:			
Sewer Notes	July 10, 2001	3.00%	\$ 1,210,000
Water Revenue Refunding Bonds	October 15, 2006	3.85-4.05%	\$ 480,000
Water Revenue Note	February 1, 2010	5.00%	\$ 50,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 190,000	\$ -0-	\$ 95,000	\$ 95,000	\$ 7,030	\$ 297
1,398,652	-0-	63,334	1,335,318	57,718	18,597
388,734	-0-	21,546	367,188	14,626	1,167
-0-	50,000	-0-	50,000	2,138	198
<u>\$ 1,977,386</u>	<u>\$ 50,000</u>	<u>\$ 179,880</u>	<u>\$ 1,847,506</u>	<u>\$ 81,512</u>	<u>\$ 20,259</u>
\$ 785,000	\$ -0-	\$ 57,000	\$ 728,000	\$ 33,755	\$ 1,670
175,000	-0-	85,000	90,000	7,045	608
50,000	-0-	-0-	50,000	2,500	208
<u>\$ 1,010,000</u>	<u>\$ -0-</u>	<u>\$ 142,000</u>	<u>\$ 868,000</u>	<u>\$ 43,300</u>	<u>\$ 2,486</u>

CITY OF LOGAN
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2011

General Obligation Debt

Year Ended June 30,	<u>General Obligation Refunding Bonds</u> <u>Issued September 15, 2005</u>		<u>General Obligation Aquatic Center Note</u> <u>Issued September 15, 2008</u>	
	Interest Rates	Amount	Interest Rates	Amount
2012	3.75%	\$ 95,000	4.178%	\$ 59,031
2013	--	-0-	4.178%	61,523
2014	--	-0-	4.178%	64,120
2015	--	-0-	4.178%	66,827
2016	--	-0-	4.178%	69,648
2017	--	-0-	4.178%	72,588
2018	--	-0-	4.178%	75,653
2019	--	-0-	4.178%	78,847
2020	--	-0-	4.178%	82,175
2021	--	-0-	4.178%	85,644
2022	--	-0-	4.178%	89,259
2023	--	-0-	4.178%	93,028
2024	--	-0-	4.178%	96,955
2025	--	-0-	4.178%	101,049
2026	--	-0-	4.178%	105,314
2027	--	-0-	4.178%	109,760
2028	--	-0-	4.178%	23,897
Total		\$ <u>95,000</u>		\$ <u>1,335,318</u>

See Accompanying Independent Auditor's Report.

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2011

General Obligation Debt

Year Ended June 30,	<u>General Fund Aquatic Center Note</u> <u>Issued February 19, 2009</u>		<u>Truck Note</u> <u>Issued July 7, 2010</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	
2012	3.815%	\$ 22,375	4.75%	\$ 8,000	\$ 184,406
2013	3.815%	23,237	4.75%	9,000	93,760
2014	3.815%	24,132	4.75%	10,000	98,252
2015	3.815%	25,061	4.75%	11,000	102,888
2016	3.815%	26,026	4.75%	12,000	107,674
2017	3.815%	27,029	--	-0-	99,617
2018	3.815%	28,070	--	-0-	103,723
2019	3.815%	29,151	--	-0-	107,998
2020	3.815%	30,274	--	-0-	112,449
2021	3.815%	31,440	--	-0-	117,084
2022	3.815%	32,650	--	-0-	121,909
2023	3.815%	33,908	--	-0-	126,936
2024	3.815%	33,835	--	-0-	130,790
2025	--	-0-	--	-0-	101,049
2026	--	-0-	--	-0-	105,314
2027	--	-0-	--	-0-	109,760
2028	--	-0-	--	-0-	23,897
Total		\$ 367,188		\$ 50,000	\$ 1,847,506

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2011

Revenue Debt

<u>Water Revenue Refunding Bonds, Series 2006</u> <u>Issued October 15, 2006</u>			<u>Water Revenue Note</u> <u>Issued February 1, 2010</u>	
<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2012	4.05%	\$ 90,000	5.00%	\$ -0-
2013	--	-0-	5.00%	25,000
2014	--	-0-	5.00%	25,000
2015	--	-0-	-0-	-0-
2016	--	-0-	-0-	-0-
2017	--	-0-	-0-	-0-
2018	--	-0-	-0-	-0-
2019	--	-0-	-0-	-0-
2020	--	-0-	-0-	-0-
2021	--	-0-	-0-	-0-
Total		\$ <u>90,000</u>		\$ <u>50,000</u>

See Accompanying Independent Auditor's Report.

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2011

Revenue Debt

Sewer Revenue Note
Issued July 10, 2001

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2012	3.00%	\$ 60,000	\$ 150,000
2013	3.00%	62,000	87,000
2014	3.00%	65,000	90,000
2015	3.00%	68,000	68,000
2016	3.00%	71,000	71,000
2017	3.00%	74,000	74,000
2018	3.00%	77,000	77,000
2019	3.00%	80,000	80,000
2020	3.00%	84,000	84,000
2021	3.00%	87,000	87,000
Total		\$ 728,000	\$ 868,000

Effective June 1, 2011, the interest rate was reduced from 4.30% to 3.0%.

CITY OF LOGAN

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS

FOR THE LAST SIX YEARS

	2011	2010	2009
Receipts:			
Property and other city taxes	\$ 567,368	\$ 559,848	\$ 566,030
Tax increment financing	85,735	81,675	-0-
License and permits	6,677	5,556	5,175
Use of money and property	13,032	13,211	16,033
Intergovernmental	418,639	181,180	289,823
Charges for service	143,822	160,864	103,713
Special assessments	2,451	1,510	94
Miscellaneous	204,120	117,494	193,914
Note proceeds	50,000	403,230	1,496,770
Sale of assets	-0-	-0-	3,300
Total	<u>1,491,844</u>	<u>\$ 1,524,568</u>	<u>\$ 2,674,852</u>
Disbursements:			
Operating:			
Public safety	\$ 247,421	\$ 213,796	\$ 192,514
Public works	245,292	233,078	274,346
Health and social services	4,490	4,400	4,350
Culture and recreation	229,792	347,786	135,905
Community and econ dev	172	1,382	1,458
General government	111,888	109,258	117,979
Debt service	261,842	244,918	179,484
Capital projects	170,548	516,680	1,964,387
Total	<u>\$ 1,271,445</u>	<u>\$ 1,671,298</u>	<u>\$ 2,870,423</u>

See accompanying independent auditor's report.

SCHEDULE 4

	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	559,945	\$ 542,605	\$ 556,726
	-0-	-0-	-0-
	6,556	3,622	4,457
	23,677	16,589	17,425
	149,540	144,177	140,722
	108,441	103,137	35,042
	728	677	179
	257,163	186,316	97,326
	-0-	-0-	-0-
	<u>11,076</u>	<u>-0-</u>	<u>3,000</u>
\$	<u>1,117,126</u>	\$ <u>997,123</u>	\$ <u>854,877</u>

\$	204,532	\$ 181,936	\$ 207,762
	291,764	208,141	259,961
	4,200	4,200	4,000
	194,703	141,513	122,520
	2,050	2,736	11,356
	109,151	104,123	103,801
	130,394	128,156	108,429
	<u>144,385</u>	<u>-0-</u>	<u>-0-</u>
\$	<u>1,081,179</u>	\$ <u>770,805</u>	\$ <u>817,829</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT ASSOCIATES, CPA, P.C.

August 24, 2011

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

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Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated August 24, 2011. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Logan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Logan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Logan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness but no deficiencies that I consider to be significant deficiencies.

Continued . . .

August 24, 2011
To the Honorable Mayor and
Members of the City Council:
Page Two

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Logan's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I noted no deficiencies that I considered to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Logan's responses to findings identified in my audit are described in the accompanying Schedule Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Logan's responses and, accordingly, I express no opinion on them.

Continued . . .

August 24, 2011
To the Honorable Mayor and
Members of the City Council:
Page Three

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Logan and other parties to whom the City of Logan may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Logan during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Murphy Associates, CPA, P.C.

CITY OF LOGAN
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF LOGAN
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Statutory Reporting

II-A-11 Certified Budget - Disbursements during the year ended June 30, 2010 did not exceed amounts budgeted.

II-B-11 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Transaction	Transaction Description	Amount
Gary Nordby, Park Board Owner of G&R Nifty Lawns	Lawn care and Lawn preparation, per bid	\$ 4,603

The transactions with the Park Board Member do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF LOGAN
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II Other Findings Relating to Statutory Reporting (Continued)

- II-F-11 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- II-G-11 Revenue Notes - The City is in compliance with all covenants of their Revenue Note resolutions.
- II-H-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's deposit and investment policy were noted.
- II-I-11 Financial Condition - Two funds had material deficit balances at June 30, 2011. The sewer enterprise fund had a \$20,565 deficit and the debt service fund had a \$19,944 deficit.

Recommendation - The City should continue monitoring these deficits in order to return these funds to a sound financial position.

Response - On July 1, 2009, Ordinances 432 and 433 went into effect, increasing water and sewer rates by 100%. The sewer enterprise deficit was reduced by \$98,353 and it is anticipated that the sewer enterprise deficit will be eliminated in 2012. The Debt Service Fund deficit will be eliminated by transfers.

Conclusion - Response accepted.

